

44-2(103)

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

Executive Office of the President

Washington, D.C.

20508

USTR Press Releases are available on the USTR home page at WWW.USTR.GOV.

They are also available through the USTR Fax Retrieval System at 202-395-4809.

99 -17

For Immediate Release Contact: Jay Ziegler

Wednesday, March 3, 1999 Helaine Klasky

(202) 395-3230

United States Takes Customs Action on European Imports

The Office of the U.S. Trade Representative announced that, effective today, the U.S. Customs Service will begin "withholding liquidation" on imports valued at over \$500 million of selected products from the European Union (EU), consistent with U.S. rights under the WTO agreements. Withholding liquidation imposes contingent liability for 100% duties on affected products as of March 3, 1999.

"We are pleased that the WTO arbitrators are clearly focused on the question of economic damages and we respect their desire for more information. We had hoped that the arbitrators would complete their work within the 30-day time schedule called for by WTO rules. Today we are taking steps to protect our interests while the arbitrators complete their deliberations. The measures we are taking today ensure that when the arbitrators reach their final decision, we will be in the same position as if they had rendered their final decision yesterday," said Ambassador Peter Scher, Special Trade Negotiator.

January 1, 1999, was the deadline for the EU to implement a WTO-consistent banana regime. The EU failed to honor this deadline, thereby entitling the United States to suspend tariff concessions as early as February 1st on selected European products with the WTO's blessing. Because the EU requested arbitration to review the U.S.-proposed level of suspended tariff concessions, the United States delayed suspending tariff concessions for thirty days, in accordance with WTO procedures.

The arbitrators' initial decision, issued yesterday, sought further information on harm to U.S. exports caused by the EU's banana regime. Therefore, the arbitrators were unable to conclude their work in the 30-day time frame provided in the WTO Dispute Settlement Understanding, which calls for completion of arbitration by March 2.

The United States will refrain from collecting higher duties until the release of the arbitrators' final decision. When the arbitration is complete, the U.S. will assess 100% duties on selected products imported as of March 3rd as necessary to offset the harm to U.S. interests as determined by the arbitrators. This decision affords the arbitrators time to complete their work, ensures that the EU's failure to implement WTO rulings in accordance with WTO time schedules is not without consequence, and will also prevent surges in imports pending the completion of the arbitration proceeding.

"We do not take these steps lightly, and it is only after exhausting every opportunity thus far to try to resolve this dispute that we have reached this position. We must conclude that it is time for the EU to bear some of the consequences for its complete disregard for its GATT and WTO obligations. We will continue to work with the arbitrators to assist them in reaching a final calculation of economic damages caused by the EU's banana regime. At the same time, our view remains that the best course to resolve our differences with the EU is through direct negotiations in an effort to reach a mutually agreeable WTO-consistent solution.

At a time of global economic uncertainty, we place a premium on building and maintaining confidence in the WTO," Ambassador Scher continued. "To do that, we have an obligation to our industries and the Congress to protect our rights, and that is exactly what we are doing here. The international trading system only works if all countries fulfill their obligations. The United States is the leading user of the dispute settlement system. We have brought more than 40 cases in the WTO and it has delivered important results for our agriculture, manufacturing and services industries. At the same time, we have not won every case. On each occasion when we have lost, we have met our obligations. This is the first time the European Union has lost a case, and the first time any WTO member country has failed to meet its WTO obligation to comply with dispute settlement rulings."

Background

This action follows a period of over six years in which the U.S. patiently waited for the EU to comply with the rules of the GATT and WTO systems it helped to create. Both organizations have ruled repeatedly against the EU's banana regime: in 1993 and 1994 GATT panels found that EU banana rules were GATT-inconsistent, and in 1997 and 1998 a WTO dispute settlement panel, and then the WTO's Appellate Body, also found the banana regime in violation of WTO rules. After the Appellate Body ruling, the EU responded with a cosmetic change which continues to discriminate against U.S. distribution companies and Latin American countries in the EU market.

The 1998 import value of European goods subject to prohibitive tariffs exceeds \$500 million -- equivalent to the reduction in U.S. exports resulting from the EU's failure to implement a WTO-consistent banana regime. The United States will assess duties on selected products in accordance with the arbitrators' final decision. Today's action provides the flexibility to make such adjustments.

- 30 -

LIST OF PRODUCTS

The withholding of liquidation will apply to products that are both: (1) classified in the subheadings of the Harmonized Tariff Schedule of the United States listed below; and

(2) the product of Austria, Belgium, Finland, France, the Federal Republic of Germany, Greece, Ireland, Italy, Luxembourg, Portugal, Spain, Sweden, or the United Kingdom. The product descriptions that are provided below are for the convenience of the reader and are not intended to delimit in any way the scope of the products that would be subject to increased duties.

HTS Number	Product Description
02101900	Meat of swine, other than hams, shoulders, bellies (streaky) and cuts thereof, salted, in brine, dried or smoked
04069057	Pecorino cheese, from sheep's milk, in original loaves, not suitable for grating
19053000	Sweet biscuits; waffles and wafers
33073050	Bath preparations, other than bath salts
34060000	Candles, tapers and the like
39202000	Nonadhesive plates, sheets, film, foil and strip, noncellular, not reinforced or combined with other materials, of polymers of propylene
42022215	Handbags, with or without shoulder straps or without handle, with outer surface of sheeting of plastics
42023210	Articles of a kind normally carried in the pocket or handbag, with outer surface of reinforced or laminated plastics
48055000	Uncoated felt paper and paperboard in rolls or sheets
48192000	Folding cartons, boxes and cases of noncorrugated paper or paperboard
49119120	Lithographs on paper or paperboard, not over 0.51 mm in thickness, printed not over 20 years at time of importation
61101010	Sweaters, pullovers, sweatshirts, waistcoats (vests) and similar articles, knitted or crocheted, wholly of cashmere
63022190	Bed linen, not knit or crochet, printed, of cotton, not containing any embroidery, lace, braid, edging, trimming, piping or applique work, not napped
85072080	Lead-acid storage batteries other than of a kind used for starting piston engines or as the primary source of power for electric vehicles
85167100	Electrothermic coffee or tea makers, for domestic purposes